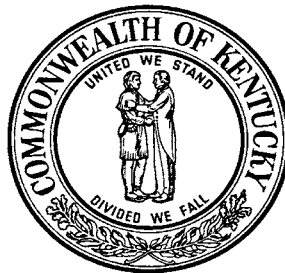


**REPORT OF THE AUDIT OF THE
NICHOLAS COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

May 21, 2001



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
NICHOLAS COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

May 21, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Nicholas County Sheriff as of May 21, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$1,269,680 for the districts for 2000 taxes, retaining commissions of \$51,260 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,206,533 to the districts for 2000 Taxes. Taxes of \$8,650 are due to the districts and refunds of \$209 are due the Sheriff from the taxing districts. \$1,353 of receivables is due the 2000 tax account. Payments of \$11,830 are required to close the 2000 tax account. The 2000 tax bank account reflects available cash of \$5,384 resulting in a net deficit of \$5,093.

Report Comments:

- The Sheriff Should Eliminate \$5,093 Deficit In Tax Account
- The Sheriff Should Close His Tax Account By Collecting All Receivables And Paying All Amounts Owed
- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Tincher, Nicholas County Judge/Executive

Honorable Charles Ring, Nicholas County Sheriff

Members of the Nicholas County Fiscal Court

Independent Auditor's Report

We have audited the Nicholas County Sheriff's Settlement - 2000 Taxes as of May 21, 2001. This tax settlement is the responsibility of the Nicholas County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Nicholas County Sheriff's taxes charged, credited, and paid as of May 21, 2001, in conformity with the modified cash basis of accounting.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Tincher, Nicholas County Judge/Executive
Honorable Charles Ring, Nicholas County Sheriff
Members of the Nicholas County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Eliminate \$5,093 Deficit In Tax Account
- The Sheriff Should Close His Tax Account By Collecting All Receivables and Paying All Amounts Owed
- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 10, 2002

NICHOLAS COUNTY
CHARLES RING, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

May 21, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 190,931	\$ 152,704	\$ 582,261	\$ 222,490
Tangible Personal Property	5,658	3,263	14,734	21,842
Intangible Personal Property				9,538
Taxes Increased Through				
Erroneous Assessments	343	193	1,046	400
Franchise Corporation	30,724	23,598	83,831	
Penalties	1,610	1,335	4,897	1,952
Adjusted to Sheriff's Receipt	4	2		(2)
Gross Chargeable to Sheriff	<u>\$ 229,270</u>	<u>\$ 181,095</u>	<u>\$ 686,769</u>	<u>\$ 256,220</u>
<u>Credits</u>				
Exonerations	\$ 269	\$ 238	\$ 822	\$ 314
Discounts	2,804	2,193	8,511	3,720
Delinquents:				
Real Estate	5,834	4,846	17,790	6,798
Tangible Personal Property	44	24	116	135
Uncollected Franchise	<u>6,806</u>	<u>4,536</u>	<u>17,874</u>	
Total Credits	<u>\$ 15,757</u>	<u>\$ 11,837</u>	<u>\$ 45,113</u>	<u>\$ 10,967</u>
Taxes Collected	\$ 213,513	\$ 169,258	\$ 641,656	\$ 245,253
Less: Commissions *	<u>9,362</u>	<u>5,521</u>	<u>25,666</u>	<u>10,711</u>
Taxes Due	\$ 204,151	\$ 163,737	\$ 615,990	\$ 234,542
Taxes Paid	202,231	162,136	610,076	232,090
Credit For Commissions Per KRS 134.290				2,695
Penalty				226
Refunds (Current and Prior Year)	<u>148</u>	<u>144</u>	<u>493</u>	<u>192</u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 1,772</u>	<u>\$ 1,457</u>	<u>\$ 5,421</u>	<u>\$ (209)</u>

* and ** See Next Page.

The accompanying notes are an integral part of the financial statement.

NICHOLAS COUNTY
CHARLES RING, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
May 21, 2001
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	566,570
4% on	\$	641,656
1% on	\$	51,454

** Special Taxing Districts:

Library District	\$	496
Health District		586
Extension District		<u>375</u>

Due Districts	\$	<u><u>1,457</u></u>
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The accompanying notes are an integral part of the financial statement.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS

May 21, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 21, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
May 21, 2001
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 10, 2000 through May 21, 2001.

Note 4. Interest Income

The Nicholas County Sheriff earned \$1,565 as interest income on 2000 taxes. As of May 21, 2001, the Sheriff owes \$16 in interest to the school district and \$14 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Nicholas County Sheriff collected \$7,044 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Nicholas County Sheriff collected \$240 of advertising costs and \$155 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

Note 7. Deficit Balance

Based on available records, there is a \$5,093 deficit in the Sheriff's official tax account. This deficit results from undeposited 2000 tax receipts and payment of 1999 tax liabilities from 2000 tax receipts. A Schedule of Excess of Liabilities Over Assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits under the respective official's tax account.

NICHOLAS COUNTY
CHARLES RING, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

May 21, 2001

Assets

Cash in Bank		\$	26,044
Deposits in Transit			2,087
Receivables:			
State Taxes - 1999	\$	78	
County Taxes - 1999		240	
School Taxes - 1999		564	
Health Taxes 1999		74	
Fire Taxes - 1999		10	
School Interest Overpaid - 1999		29	
2000 Fee Account for Hospital Fund Repayment Deposit		150	
Bank Share Commissions Due From 2001 Fee Account		208	1,353
			<hr/>
Total Assets		\$	<hr/> 29,484 <hr/>

Liabilities

2000 Tax Account:			
Paid Obligations-			
Outstanding Checks		\$	22,747
Unpaid Obligations-			
Other Taxing Districts-			
County	\$	1,772	
School		5,421	
Library		496	
Health		586	
Fire		375	
Tax Commissions Due Sheriff's Fee Account		455	
Bank Share Commissions Due Fee Account		2,695	
Interest Due School		16	
Interest Due Sheriff's Fee Account		14	
			<hr/>
Total Unpaid Obligations			<hr/> 11,830 <hr/>
Total Liabilities		\$	<hr/> 34,577 <hr/>
Total Fund Deficit as of May 21, 2001		\$	<hr/> <hr/> (5,093) <hr/>

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COMMENTS AND RECOMMENDATIONS

NICHOLAS COUNTY
CHARLES RING, SHERIFF
COMMENTS AND RECOMMENDATIONS

May 21, 2001

STATE LAWS AND REGULATIONS:

The Sheriff Should Eliminate \$5,093 Deficit In Tax Account

Based on available records, there was a deficit of \$5,093 in the Sheriff's 2000 Tax Account. This resulted primarily from a deficit of \$3,131 in 1999 and undeposited tax receipts of \$1,962 in 2000. We recommend the Sheriff deposit \$5,093 from personal funds to the tax account to eliminate this deficit.

Sheriff's Response:

Will pay in Oct.

The Sheriff Should Close His Tax Account By Collecting All Receivables And Paying All Amounts Owed

The proper distribution of tax money collected by the Sheriff requires the collection of receivables and the payment of these funds to the appropriate taxing districts and Sheriff's Fee Account as noted in the Schedule of Excess of Liabilities Over Assets

When the personal funds of \$5,093 referred to in comment above and the required receivables are collected and deposited in the official tax account, which has a current available cash balance of \$5,384, sufficient funds will be available to pay outstanding unpaid obligations of the 2000 Tax Account. We recommend the Sheriff collect the \$1,353 of receivables and, combined with the personal funds of \$5,093 and the available cash of \$5,384 in the tax bank account, pay the \$11,830 of money owed.

Sheriff's Response:

Same as above.

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily deposit, and receipts ledger.
- The Sheriff should compare the monthly tax reports to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Sheriff could document this by initialing the monthly tax reports.

NICHOLAS COUNTY
CHARLES RING, SHERIFF
COMMENTS AND RECOMMENDATIONS
May 21, 2001

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:
(Continued)

Lacks Adequate Segregation Of Duties (Continued)

- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response:

None.

PRIOR YEAR:

The Sheriff Should Eliminate \$3,131 Deficit In Tax Account - This comment has not been corrected and is repeated in current year report.

Lacks Adequate Segregation Of Duties - This comment has not been corrected and is repeated in current year report.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Honorable Charles Ring, Nicholas County Sheriff
Members of the Nicholas County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Nicholas County Sheriff's Settlement - 2000 Taxes as of May 21, 2001, and have issued our report thereon dated October 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nicholas County Sheriff's Settlement -2000 Taxes as of May 21, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Eliminate \$5,093 Deficit In Tax Account
- The Sheriff Should Close His Tax Account By Collecting All Receivables And Paying All Amounts Owed



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nicholas County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. This reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 10, 2002

